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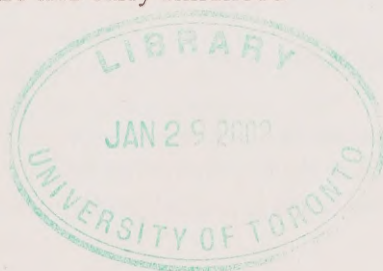
BUDGET 2001 BUILDS ON LONG-TERM PLAN AND RESPONDS TO IMMEDIATE PERSONAL AND ECONOMIC SECURITY CONCERNS

Building on the Government's long-term plan for a stronger economy and a more secure society while responding to immediate economic concerns are key features of the federal budget presented today by Finance Minister Paul Martin.

"This budget is about resolving to work together as never before, renewed in purpose, confident of our course and guided through changing times by unchanging values," Minister Martin said.

Budget 2001 builds on the Government's long-term plan and responds to immediate personal and economic security concerns in four ways:

- First, it provides a timely boost to the economy at a time of global weakness and uncertainty and positions Canadians to take full advantage of the recovery expected next year.
- Second, it acts to build personal and economic security by keeping Canadians safe, terrorists out and our borders open and efficient.
- Third, it keeps the nation's finances healthy by balancing the budget this year and for the next two years.
- Fourth, it fully protects the \$100-billion tax cut and the \$23.4 billion in increased support for health care and early childhood development.



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Budget 2001 provides \$7.7 billion to enhance personal and economic security. This includes \$6.5 billion for increased intelligence and policing, better screening of entrants to Canada, enhanced emergency preparedness and support for the military, as well as greater air security. It also includes more than \$1.2 billion to create the most modern, sophisticated border possible using state-of-the-art technology to speed legitimate traffic while stopping those who would do our country harm.

The budget also makes significant investments in new strategic infrastructure, skills and learning, research, health, Aboriginal children, the environment and international assistance. These investments reflect the Government's long-term goals of building a strong economy and secure society and improving the quality of life for all Canadians. They also provide important economic support now for the economy.

Budget 2001 builds on Canada's sound fiscal and economic fundamentals, which ensure that these strategic investments can be made without going back into deficit, and positions the country to take advantage of the recovery expected by private sector economists in the second half of 2002.

The Government's strategy of sound fiscal management has allowed it to record surplus budgets in each of the last four years and, based on current projections, the Government expects to record a balanced budget this year and balanced budgets or better in each of the next two years.

"Managing an economy through tough times means striking the right balance. This budget does that. It builds on the strong fundamentals Canadians have worked so hard to achieve," said Minister Martin.

Highlights of Budget 2001 are attached.

For further information:

Jean-Michel Catta
Public Affairs and Operations Division
(613) 996-8080

Melanie Guer
Press Secretary
(613) 996-7861

www.fin.gc.ca

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Highlights

Greater Security for Canadians

The Government has put together a \$6.5-billion package to build greater personal and economic security for Canadians by keeping Canadians safe and terrorists out. This includes:

- \$2.2 billion to improve **air travel safety**, including armed undercover agents on flights, enhanced security and detection systems in airports, and replacement of cockpit doors on aircraft.
- \$1.6 billion for **intelligence and policing**.
- More than \$1.6 billion for **emergency preparedness** and to support Canada's military, including participation in the international war on terrorism.
- \$1 billion for more efficient **screening of immigrants and refugees**.

More Open and Efficient Borders

The budget allocates more than \$1.2 billion to create the most modern, sophisticated border possible using state-of-the-art technology to speed legitimate traffic while stopping those who would do our country harm:

- \$646 million will go to speeding up implementation of pre-screening programs for frequent travellers, introducing state-of-the-art detection equipment and establishing Integrated Border Enforcement Teams.
- A \$600-million program will fund infrastructure projects to facilitate cross-border trade in all parts of the country. The Government will do whatever is required to move ahead quickly with this program, seeking partnerships with the provinces, municipalities and private sector.

Building a Better Future

The Government is pursuing its long-term plan by introducing affordable measures that will provide a timely boost to confidence and the economy:

- The five-year, **\$100-billion tax cut plan** is fully protected and is proceeding, as announced.
- The **\$23.4 billion to support the health and early childhood development agreements** with the provinces and territories is fully protected and is proceeding, as announced.
- The **\$2-billion infrastructure program** and \$600 million for highways announced in Budget 2000 will stream millions of dollars into major public works projects over the coming months.
- **New on infrastructure:** The Government is creating a \$2-billion Strategic Infrastructure Foundation to leverage public and private sector money for major projects across the country to meet the essential infrastructure needs of the 21st century economy and society.

This complements the \$600-million border infrastructure program announced in this budget, as well as the \$2-billion infrastructure program announced in Budget 2000, to rebuild and renew the country's infrastructure in partnership with the provinces and municipalities and the \$600-million highway program also announced in Budget 2000.

- **New on taxation:** To help small businesses meet immediate cash-flow needs, the Government is deferring their corporate tax instalments for January, February and March 2002 for six months. This will defer \$2 billion in taxes for small businesses until next year.
- **New on health:** The Government is dedicating more funds for the Canadian Institutes of Health Research and the Canadian Institute for Health Information.

- **New on skills:** The Government is enhancing Canada Study Grants for students with disabilities; expanding support for youth entrepreneurship programs; reducing employment insurance waiting periods for apprentices on training; giving apprentice vehicle mechanics a new tax deduction for extraordinary costs of tools; and increasing support for sector councils to help prepare workers today for emerging job opportunities.
- **New on research:** The Government is providing universities with a one-time payment of \$200 million to support the indirect costs of research; increasing funds for the National Research Council of Canada's regional technology centres program, and for the Natural Sciences and Engineering Research Council and the Social Sciences and Humanities Research Council; providing resources to complete Government On-Line by 2005; extending SchoolNet and the Community Access Program; investing \$110 million to build CA*net 4; and working with Canadian industry, provinces, communities and the public on private sector solutions to further broadband Internet coverage in Canada, particularly for rural and remote areas.
- **New on the environment:** The Government is doubling the funding for the \$25-million Green Municipal Enabling Fund and the \$100-million Green Municipal Investment Fund, as well as launching a long-term program to promote the production of a key renewable energy source – wind power.
- **New on Aboriginal children:** The Government is focusing more funds on First Nations children, including programs such as child care and head start, efforts to reduce fetal alcohol syndrome, and measures to meet special needs at school.

Supporting a Weaker Economy

The Government is providing important support and stimulus to the economy in a time of weakness:


- Through low inflation and fiscal integrity, the Government has created the conditions for a 350-basis-point cut in interest rates, which are at their lowest levels in 40 years.

- The Government's tax cuts have put \$17 billion back into the pockets of Canadian families this year, and this figure will grow to \$20 billion next year.
- Strategic investments announced in this budget or coming on stream this year will amount to \$9 billion this year, rising to \$11 billion next year.
- Taken together, these tax cuts and spending initiatives – not even counting the benefits of lower interest rates – provide total stimulus of almost \$26 billion, or 2.4 per cent of gross domestic product (GDP), this year and \$31 billion, or 2.8 per cent of GDP, next year.

Sticking to the Prudent Budget-Planning Approach

The Government is providing Canadians with a full accounting of the nation's finances and sticking to balanced budget targets for the next two years:

- For the fifth consecutive year the Government will record a surplus in 2001-02.
- Based on current projections, and even using the average of the four most pessimistic private sector growth forecasts, the Government will balance the budget again in each of the next two years.
- The unforeseen circumstances of both the global economic slowdown and the terrorist attacks of September 11 have created exceptional fiscal pressures. As a result, the Government will use the economic prudence and part of the Contingency Reserve for each year of the budget plan. The Contingency Reserve is set at \$1.5 billion for 2001-02, rising to \$2.0 billion in 2002-03 and \$2.5 billion for 2003-04. It is the Government's intention to rebuild the normal Contingency Reserve and economic prudence as soon as possible.



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